Approved For Release 2006/03/15 : CIA-RDP78-01617A005800040023-6

State Department review completed

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EUROPE

1. CZECHOSLOVAKIA: Salutary effect of US loan suspension--US Ambassador Steinhardt reports that the suspension by the US of credits and loans to Czechoslovakia is having a "highly salutary effect." Pro-Western members of the Government are "privately jubilant" and have noticeably stiffened their resistance to the Communists. The latter are gloomy rather than irritated and have sent Masaryk to the US in the hope that he can obtain relaxation of the ban on credits. Although the Government has decided in the long run to take such steps as may be necessary to remove US grievances, it will probably delay implementation until after Masaryk's visit. Steinhardt agrees with Secretary Byrnes that the US should require more substantial evidence of Czech independence and friendship toward the US before resuming any form of economic assistance.

USSR fails to deliver cotton--The pro-Western head of the nationalized textile industry has told Steinhardt that the Government had allowed him to purchase US cotton under the $20,000,000 Exim Bank cotton credit only after it became clear that the Soviets could not deliver the required amount or quality.

2. YUGOSLAVIA: US agrees to re-open USIS--The State Department has accepted the stipulations specified by the Yugoslav Government for the re-opening of USIS (see Daily Summary of 22 October, item 5). USIS and the reading room will resume operations in Belgrade on 1 November.

3. POLAND: Arrests of PSL members increase--Mikolajczyk has told US Charge Keith that the Soviets now have decided that the Polish Communists should so conduct their activities as to create a "surface appearance of relative calm" and to rely on "forged elections" to achieve their objective, concurrently exerting every effort to break up his Peasant Party through increased censorship and arrests. Mikolajczyk declared that during the last month 932 Peasant Party officials have been arrested.

Government attitude toward foreign newsmen--Mikolajczyk also told Keith that within the past few weeks about 40 of his Party members have been subjected to strenuous police questioning for having talked with foreign correspondents. Keith fears that the expulsion of a British correspondent may set a precedent for similar action against US correspondents, particularly in view of a statement by the Acting Chief of the Polish Press

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Section to the effect that the Polish Government "would be forced to take action against those who systematically send out false information."

4. BULGARIA: Opposition optimistic about elections--US Representative Barnes reports that opposition leaders are on the whole optimistic about the 27 October election prospects provided fraud can be kept to a minimum. Barnes believes that, if widespread fraud can be prevented, the opposition may gain sufficient representation in the Government to prevent Communist measures to silence it.

5. USSR: US students refused but others accepted--US Charge Durbrow reports that the arrival in the USSR of approximately 300 graduate students from Yugoslavia, Czechoslovakia, Bulgaria and other countries further confirms his opinion that Soviet unwillingness to accept US students is motivated by political considerations rather than the lack of adequate facilities as claimed by Soviet officials.

FAR EAST

6. CHINA: Stuart urges delay in mapping project--Ambassador Stuart at Nanking recommends that the US aerial mapping project in China, the subject of an agreement recently signed by US and Chinese military authorities, be held in abeyance for the present in view of the unfavorable effect such an operation would have on US-Soviet relations.

7. FRENCH INDOCHINA: Possibility of border disturbances--Ambassador Caffery at Paris reports that the French High Commissioner for Indochina has disciplined French military personnel responsible for the attack on the Siamese town of Chaiburi on 10 October. However, both the French Foreign Office and High Commissioner D'Argenlieu note the possibility of serious disturbances arising during the French reoccupation of the retroceded territories, in view of the presence of large anti-French groups in those areas.

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